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For many Americans overseas, U.S. passport is too pricey; Taxes and bank laws cited as more people give up their citizenship

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Amid mounting frustration over taxation and banking problems, small but growing numbers of Americans living outside the United States are taking the weighty step of renouncing their citizenship.

"What we have seen is a substantial change in mentality among the overseas community in the past two years," said Jackie Bugnion, director of American Citizens Abroad, an advocacy group based in Geneva. "Before, no one would dare mention to other Americans that they were even thinking of renouncing their U.S. nationality. Now, it is an openly discussed issue."

The Federal Register, the government publication that records such decisions, shows that 502 people gave up their U.S. citizenship or permanent residency status in the last quarter of 2009. That is a tiny portion of the 5.2 million Americans estimated by the U.S. State Department to be living outside the United States.

Still, 502 was the largest quarterly figure in years, more than twice the total for all of 2008, and it looms larger, given how agonizing the decision can be. There were 235 renunciations in 2008 and 743 last year. Waiting periods to meet with consular officers to formalize renunciations have grown.

Anecdotally, frustrations over tax and banking questions, not political considerations, appear to be the main drivers of the increase. Advocates of American expatriates say that as it becomes more difficult for Americans to live and work abroad, it will become harder for American companies to compete.

American expatriates have long complained that the United States is the only industrialized country to tax citizens on income earned abroad, even when they are taxed in their country of residence, though Americans are allowed to exclude their first \$91,400 in income earned outside the United States.

One Swiss-based business executive, who spoke on the condition of anonymity because of sensitive family issues, said she weighed the decision for 10 years. She had lived abroad for years but had pleasant memories of service in the U.S. Marine Corps.

Yet the notion of double taxation — and of future tax obligations for her children, who will receive few U.S. services — finally pushed her to renounce, she said.

"I loved my time in the Marines, and the U.S. is still a great country," she said. "But having lived here 20 years and having to pay and file while seeing other countries' nationals not having to do that, I just think it's grossly unfair.

"It's taxation without representation."

Stringent new banking regulations — aimed at curbing tax evasion and, under the U.S. Patriot Act, preventing money from flowing to terrorist groups — have inadvertently made it harder for some American expatriates to keep bank accounts in the United States and, in some cases, abroad.

Some U.S. banks have closed the accounts of American expatriates because of the difficulty in certifying that the holders still maintain U.S. addresses, as required by a Patriot Act provision

"It seems the new anti-terrorist rules are having unintended effects," Daniel Flynn, who lives in Belgium, wrote in a letter quoted by the Americans Abroad Caucus in the U.S. Congress in correspondence with the Treasury Department.

"I was born in San Francisco in 1939, served my country as an army officer from 1961 to 1963, have been paying U.S. income taxes for 57 years, since 1952, have continually maintained federal voting residence and hold a valid American passport."

Mr. Flynn had held an account with a U.S. bank for 44 years. Still, he wrote, "they said that the new anti-terrorism rules required them to close our account because of our address outside the U.S."

Kathleen Rittenhouse, who lives in Canada, wrote that until she encountered a similar problem, "I did not know that the Patriot Act placed me in the same category as terrorists, arms dealers and money launderers."

Andy Sundberg, another director of American Citizens Abroad, said, "These banks are closing our accounts as acts of prudent self-defense." But the result, he said, is that Americans living overseas have become "toxic citizens."

The Americans Abroad Caucus, headed by Representative Carolyn B. Maloney, Democrat of New York, and Representative **Joe Wilson**, Republican of South Carolina, has made repeated entreaties to the Treasury Department.

In response, Treasury Secretary Timothy F. Geithner wrote Ms. Maloney on Feb. 24 that "nothing in U.S. financial law and regulation should make it impossible for Americans living abroad to access financial services here in the United States."

But banks, Treasury officials note, are free to ignore that advice.

"That Americans living overseas are being denied banking services in U.S. banks, and increasingly in foreign banks, is unacceptable," Ms. Maloney said in a letter Friday to leaders of the House Financial Services Committee, requesting a hearing on the question.

Mr. Wilson, joining her request, said that pleas from American expatriates for relief "continue to come in at a startling rate."

Relinquishing U.S. citizenship is relatively simple. The person must appear before a U.S. consular or diplomatic official in a foreign country and sign a renunciation oath. This does not allow a person to escape old tax bills or military obligations.

Representatives of American expatriates say renunciations will become more common.

"It is a sad outcome," Ms. Bugnion said, "but I personally feel that we are now seeing only the tip of the iceberg."

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